

**REPORT OF THE AUDIT OF THE
PULASKI COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PULASKI COUNTY FISCAL COURT

June 30, 2003

The Auditor of Public Accounts has completed the audit of the Pulaski County Fiscal Court for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based on the work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The county had total net assets of \$265,787,215 as of June 30, 2003. The fiscal court had unrestricted net assets of \$4,133,064 in its governmental funds as of June 30, 2003, with total net assets of 265,686,613. In its enterprise fund, total net cash and cash equivalents of \$63,397 were \$100,602. Total debt principal as of June 30, 2003, was \$2,827,542 with \$756,928 due within the next year.

Report Comment:

- The Former Jailer Was Overpaid

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
PULASKI COUNTY OFFICIALS	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	15
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	18
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	27
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	31
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	35
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	39
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	43
NOTES TO FINANCIAL STATEMENTS	45
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS	63
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	68
OTHER SUPPLEMENTAL INFORMATION:	
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	70
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	74
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	76
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	79
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	82
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	85
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	89
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Darrell BeShears, Pulaski County Judge/Executive

Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pulaski County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Pulaski County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has elected to implement Governmental Accounting Standards Board Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Darrell BeShears, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

The required supplemental information, management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pulaski County, Kentucky's basic financial statements. The accompanying supplemental information, combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of findings and questioned costs and schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the schedule of federal expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 10, 2004 on our consideration of Pulaski County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Former Jailer Was Overpaid

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 10, 2004

PULASKI COUNTY OFFICIALS

For The Year Ended June 30, 2003

Fiscal Court Members:

Darrell BeShears	County Judge/Executive
Darrell Wilson	Magistrate
Howard Hansford	Magistrate
James Cothran	Magistrate
Ralph Troxtell	Magistrate
Kenneth Isaacs	Magistrate
Mike New	Magistrate
James Girdler	Magistrate

Other Elected Officials:

William Thompson	County Attorney
Mike Harris	Jailer
Trudy Denham	County Clerk
George Flynn	Circuit Court Clerk
Todd Wood	Sheriff
T.W. Todd	Property Valuation Administrator
Richard D. New	Coroner

Appointed Personnel:

Arlene Phelps	County Treasurer
Lorie Hines	Occupational Tax Collector
Ethel VanHook	Finance Officer

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Pulaski County Fiscal Court

Darrell Beshears, County Judge Executive
Kenneth Isaacs, District 1
Darrell Wilson, District 2
Howard Hansford, District 3

P.O. Box 712
Somerset, KY 42502
606-678-4853
1-800-247-2510

James Cothran, District 4
James Girdler, District 5
Mike New, District 6
Ralph Troxell, District 7

Management's Discussion and Analysis June 30, 2003

The financial management of Pulaski County, Kentucky offers readers of Pulaski County's financial statements this narrative overview and analysis of the financial activities of Pulaski County for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Pulaski County had net assets of \$265,787,215 as of June 30, 2003. The fiscal court had unrestricted net assets of \$4,133,064 in its governmental funds as of June 30, 2003. In its enterprise fund, cash and cash equivalents were \$63,397 with total assets of \$100,602. Total debt principal as of June 30, 2003 was \$2,827,542 with \$756,928 due within one year.
- The government's total net assets decreased by \$19,260,688 from the prior year. This decrease is primarily due to depreciation expense.
- At the close of the current fiscal year, Pulaski County balance sheet reported a fund balance of \$3,738,471. Of this amount, \$3,222,687 is available for spending at the government's discretion (unreserved fund balance).
- Pulaski County's total indebtedness at the close of fiscal year June 30, 2003 was \$2,827,542, of which \$2,070,614 is long-term debt (due after 1 year) and \$756,928 is short-term debt (to be paid within 1 year). Debt additions were \$988,920 and debt reductions were \$745,236 for a net increased of \$243,684 during the year. However, Pulaski County has purchased 20 sheriffs cruisers at a cost of \$429,000 and 4 Road Graders at a cost of \$400,000 during the year.
- In addition, Pulaski County built 4 new Fire Substations at a cost of \$260,000, a Special Response Team building at a cost of \$160,000 and bought 2 new Fire trucks at a cost of \$317,000, 3 used Fire trucks at a cost of \$175,500 and did \$1,372,280 in road resurfacing and reconstruction without incurring additional debt for these items.
- July 2001, Pulaski County received a Small Business Administration Grant in the amount of \$1,278,000 to build a Fire Training Center that will serve Pulaski County and the surrounding counties. Pulaski County committed \$500,000 to this project and has expended \$129,123 during this fiscal year.

Pulaski County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Pulaski County's basic financial statements. Pulaski County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Pulaski County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Pulaski County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Pulaski County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Pulaski County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity - the operation of a jail canteen.

Pulaski County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Government-wide Financial Statements. (Continued)

The government-wide financial statements include not only Pulaski County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Pulaski County has one such entity, the Public Properties Detention Center Corporation. It is known as a blended component unit.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Pulaski County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Pulaski County can be divided into two broad categories: *governmental funds* and *proprietary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Pulaski County maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Fund, Jail Fund, Fire Fund, and Industrial Development Fund, all of which are considered major funds by the County. Local Government Economic Assistance Fund, 9-1-1 Dispatch fund, Economic Development Fund, Sheriff Vehicle Fund, Grant Fund, and Detention Center Corporation Bond Fund are considered non-major funds and are represented in a combined form.

Pulaski County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Pulaski County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Government-wide Financial Analysis.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Pulaski County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2002	2003	2002	2003	2002	2003
Assets						
Current and other assets	\$4,056,416	\$4,133,064	\$84,280	\$63,397	\$4,140,696	\$4,196,461
Capital assets	284,029,481	264,381,091	21,583	37,205	284,051,064	264,418,296
Total Assets	288,085,897	268,514,155	105,863	100,602	288,191,760	268,614,757
Liabilities						
Current and other liabilities	364,916	756,928			364,916	756,928
Long-term liabilities	2,218,942	2,070,614			2,218,942	2,070,614
Total Liabilities	2,583,858	2,827,542			2,583,858	2,827,542
Net Assets						
Invested in capital assets, net of related debt	281,445,623	261,553,549	21,583	37,205	281,467,206	261,590,754
Restricted						
Unrestricted	4,056,416	4,133,064	84,280	63,397	4,140,696	4,196,461
Total Net Assets	\$285,502,039	\$265,686,613	\$105,863	\$100,602	\$285,607,902	\$265,787,215

Changes in Net Assets.

Governmental Activities. Pulaski County's net assets decrease by \$19,815,426 in fiscal year 2003. Key elements of this are as follows:

- Current assets and cash increased \$76,648.
- Investment in capital assets, net of related debt decreased 19,889,074 primarily due to depreciation expense.
- Current and long-term liabilities increased by \$243,684.
- Revenues were \$17,134,839 as reflected in the Statement of Activities.
- Expenditures totaled \$36,950,266 as reflected in the Statement of Activities.

Business-type Activities. Pulaski County's net assets decrease by \$5,261 in fiscal year 2003. Key elements of this are as follows:

- Current assets and cash decreased by \$20,883.
- Investment in capital and infrastructure net of related debt increased \$15,622.

**Pulaski County
Management's Discussion and Analysis
June 30, 2003
(Continued)**

Financial Analysis of the County's Funds.

As noted earlier, Pulaski County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Pulaski County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2003 fiscal year, the combined ending fund balance of County governmental funds was \$3,738,471. Approximately 86% (\$3,222,687) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$515,784) is reserved to indicate that it is not available for new spending because it is committed.

The County has 5 major governmental funds. These are 1) General Fund; 2) Road and Bridge Fund; 3) Jail Fund; 4) Fire Fund 5) Industrial Development Fund. There are 6 non-major funds. They are the 911 Dispatch Fund, Economic Development Fund, Local Government Economic Assistance Fund, Sheriff's Vehicle Fund Grant Fund, and Detention Center Corporation Bond Fund.

1. The General Fund is the chief operating fund of Pulaski County. At the end of the June 30, 2003 fiscal year, unreserved fund balance of the General Fund was \$195,372, while total fund balance was \$202,231. The county received \$3,461,242 in Occupational tax revenues. This accounts for approximately 50% of the general fund revenue. \$1,324,045 was received from real and personal property taxes and accounts for approximately 18% of the county's general fund revenues. Various other taxes and service fees make up the remaining 32% of revenues. Pulaski County distributes 30% of the net Occupation Tax revenues to the 5 incorporated cities within the county.
2. The Road and Bridge Fund is the fund related to county road and bridge construction and maintenance. The Road and Bridge Fund had \$130,461 in fund balance at June 30, 2003. The fund balance at the end of the previous year was \$306,935. The fiscal year 2003 expenditures for road projects were \$3.5 million.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2003 of \$361,527, of which \$199,396 was unreserved. That is an increase in fund balance of \$266,786 over the previous fiscal year end. The Jail Fund received \$1,094,748 for services, primarily for housing prisoners. The county also began allocating 8.75% of its occupational tax for the operation of the jail and \$424,837 was derived from partial year collections. A booking fee was also implemented which resulted in \$95,882 of income. The General Fund contributed \$162,050 to the jail operations.

**Pulaski County
Management's Discussion and Analysis
June 30, 2003
(Continued)**

Financial Analysis of the County's Funds. (Continued)

4. The Local Government Economic Assistance Fund had a fund balance of \$110,676, an increase of \$30,513 over the previous fiscal year end.
5. The Grant Fund is used to account for federal monies received. The county received \$1,311,352 in federal funds for various ongoing projects.
6. The Fire Fund supports 17 Fire departments, Rescue Squad and HazMat team from revenue derived from collection of a 5.5% insurance premium tax. Collections for 2003 were \$1,697,449. The year-end balance of the Fire fund was \$565,775, a decrease from the previous year of \$183,210. However the county built 4 new substations at a cost of \$260,000, built a Special Response Team building for \$160,000, bought 2 new Fire trucks at \$317,000 and 3 used Fire trucks at a cost of \$175,500 without incurring debt.
7. The Industrial Development Fund is restricted to the recruitment of new companies and jobs to the county. It is supported primarily from occupational taxes and total revenues were \$850,192. The year-end balance of this fund was \$1,602,906, an increase of \$280,765 from the previous year.
8. The 911 Dispatch Fund accounts for the operation of the County's emergency operations communications. It is supported primarily from occupational taxes, and total revenues were \$928,890. The Fund had a fund balance of \$202,455 at the end of the June 30, 2003 fiscal year.
9. The Economic Development Fund is comprised of recaptured grant funds and had a fund balance of \$235,525 as of June 30, 2003. The prior year ending fund balance was \$409,021. Those funds were used to refurbish an existing building owned by the county for the use of a new industry relocating to Pulaski County.
10. The Sheriff's Vehicle Fund derives its revenues from mileage paid to the county by the Sheriff's Department and is used to provide and maintain cruisers for the Sheriff's department. It had a fund balance of \$35,953 at June 30, 2003.
11. The Public Properties Detention Center Corporation Bond Fund had an ending fund balance of \$185,017 at the end of the fiscal year. Its activities are restricted to debt reduction on the Detention Center Bond issue. Outstanding debt on the Detention Center is \$911,030 consisting of \$790,000 in principal and \$121,030 of interest. The debt will be retired in 2009.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Pulaski County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets of \$100,602 as of June 30, 2003 and a cash balance of \$63,397.

Pulaski County
Management's Discussion and Analysis
June 30, 2003
(Continued)

General Fund Budgetary Highlights.

The County's original budget was amended during the fiscal year increasing the operating budget by \$855,000. Budget amendments were made to all areas due to borrowed money, grants, surplus cash carried forward and an increase in actual Occupational Tax collections as opposed to projected collections.

Actual operating revenues were \$827,616 more than amount originally budgeted by Fiscal Court. This increase was primarily from Intergovernmental sources and tax revenues.

Actual operating expenditures were \$130,888 less than amount originally budgeted by Fiscal Court.

Capital Assets and Debt Administration.

Capital Assets. Pulaski County's investment in capital assets for its government and business type activities as of June 30, 2003, amounts to \$264,418,296 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions. The County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2003 fiscal year included the partial completion of the Hal Rogers Regional Fire Training Center, the purchase of 4 Road Graders, building 4 new Fire Department Substations, a Special Response Team Building, and the purchase of 2 new Fire trucks and 3 used Fire trucks and 20 new Sheriff's cruisers.

Additional information on the County's capital assets can be found in Note 4 of this report.

Table 2
Pulaski County's Capital Assets, Net of Accumulated Depreciation

	Governmental		Business-type		Total	
	Activities		Activities			
	2002	2003	2002	2003	2002	2003
Infrastructure Assets	\$ 271,808,990	\$ 250,102,360	\$		\$ 271,808,990	\$ 250,102,360
Land	680,000	688,000			680,000	688,000
Const. in Progress		568,204				568,204
Bldgs. & Improvements.	5,694,189	5,653,072			5,694,189	5,653,072
Other Equip.	926,028	1,013,596			926,028	1,013,596
Vehicles & Equip.	4,920,274	6,355,859	21,853	37,205	4,942,127	6,393,064
Total Net Capital Assets	\$ 284,029,481	\$ 264,381,091	\$ 21,853	\$ 37,205	\$ 284,051,334	\$ 264,418,296

Pulaski County
Management's Discussion and Analysis
June 30, 2003
(Continued)

Capital Assets and Debt Administration. (Continued)

Long-Term Debt. At the end of the 2003 fiscal year, Pulaski County had total long-term debt outstanding of \$2,827,542. The amount of this debt due within the next year is \$756,928 and \$2,070,614 is due in subsequent years. This debt is for the detention center, road equipment, fire equipment, land, and construction of fire stations, dump truck, road graders, sheriff's vehicles, jail roof and computer equipment. This debt is described in note 6 of the notes to the financial statements.

Short Term Debt. The county has a total of \$142,374 in various operating leases for copiers, mailing scales, backhoes, and one vehicle to be used by various county departments. This debt will be retired in 2007.

Other matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2004 fiscal year budget:

- The 2004 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

Requests For Information.

This financial report is designed to provide a general overview of Pulaski County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Pulaski County Treasurer, PO Box 712 (100 North Main Street), Somerset, KY 42502.

PULASKI COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

PULASKI COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 3,738,471	\$ 63,397	\$ 3,801,868
Notes Receivable	394,593		394,593
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	568,204		568,204
Land	688,000		688,000
Land Improvements			
Buildings	5,653,072		5,653,072
Other Equipment	1,013,596		1,013,596
Vehicles and Equipment	6,355,859	37,205	6,393,064
Infrastructure Assets - Net of Depreciation	250,102,360		250,102,360
Total Assets	<u>268,514,155</u>	<u>100,602</u>	<u>268,614,757</u>
LIABILITIES			
Noncurrent Liabilities:			
Due Within One Year	756,928		756,928
Due In More Than One Year	2,070,614		2,070,614
Total Liabilities	<u>2,827,542</u>	<u></u>	<u>2,827,542</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	261,553,549	37,205	261,590,754
Unrestricted	4,133,064	63,397	4,196,461
Total Net Assets	<u>\$ 265,686,613</u>	<u>\$ 100,602</u>	<u>\$ 265,787,215</u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2003

PULASKI COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
General Government	\$ 5,416,223	\$ 247,028	\$ 748,811	\$ 63,483
Protection to Persons and Property	2,257,883	1,102,552	365,776	
General Health and Sanitation	320,527			
Social Services	42,000			
Recreation and Culture	302,836			
Roads	24,931,266		1,750,009	60,000
Airports	23,000			
Debt Service	250,664			
Capital Projects	3,405,866			1,303,352
Total Governmental Activities	36,950,265	1,349,580	2,864,596	1,426,835
Business-type Activities:				
Jail Canteen Fund	250,301	229,479		
Total Business-type Activities	250,301	229,479		
Total Primary Government	37,200,566	1,579,059	2,864,596	1,426,835

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes and Licenses
Occupational Taxes
Other Taxes

Excess Fees

Intergovernmental Revenues

Not Restricted

Unrestricted Investment Earnings

Other Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2003
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (4,356,901)	\$	\$ (4,356,901)
(789,555)		(789,555)
(320,527)		(320,527)
(42,000)		(42,000)
(302,836)		(302,836)
(23,121,257)		(23,121,257)
(23,000)		(23,000)
(250,664)		(250,664)
(2,102,514)		(2,102,514)
(31,309,254)		(31,309,254)
	(20,822)	(20,822)
	(20,822)	(20,822)
(31,309,254)	(20,822)	(31,330,076)
1,090,317		1,090,317
45,838		45,838
225,023		225,023
6,957,225		6,957,225
1,872,540		1,872,540
665,801		665,801
38,978		38,978
131,255	2,670	133,925
466,851	12,891	479,742
11,493,828	15,561	11,509,389
(19,815,426)	(5,261)	(19,820,687)
285,502,039	105,863	285,607,902
\$ 265,686,613	\$ 100,602	\$ 265,787,215

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2003

PULASKI COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	General Fund	Road And Bridge Fund	Jail Fund	Fire Fund	Industrial Development Fund
ASSETS					
Cash and Cash Equivalents	\$ 202,231	\$ 130,461	\$ 361,527	\$ 565,775	\$ 1,602,906
Total Assets	<u>\$ 202,231</u>	<u>\$ 130,461</u>	<u>\$ 361,527</u>	<u>\$ 565,775</u>	<u>\$ 1,602,906</u>
FUND BALANCES					
Fund Balances:					
Reserved for:					
Bond Payments	\$	\$	\$	\$	\$
Encumbrances	5,365	14,997	2,131	2,930	3,159
Grant Expenditures					
KACO Expenditures			160,000	14,701	
Police Memorial	1,494				
Unreserved:					
General Fund Type	195,372				
Special Revenue Fund Types	<u> </u>	<u>115,464</u>	<u>199,396</u>	<u>548,144</u>	<u>1,599,747</u>
Total Fund Balances	<u>\$ 202,231</u>	<u>\$ 130,461</u>	<u>\$ 361,527</u>	<u>\$ 565,775</u>	<u>\$ 1,602,906</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2003
(Continued)

	Non- Major Funds	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 875,571	\$ 3,738,471
Total Assets	<u>\$ 875,571</u>	<u>\$ 3,738,471</u>
FUND BALANCES		
Fund Balances:		
Reserved for:		
Bond Payments	\$ 185,017	\$ 185,017
Encumbrances	20,045	48,627
Grant Expenditures	105,945	105,945
KACO Expenditures		174,701
Police Memorial		1,494
Unreserved:		
General Fund Type		195,372
Special Revenue Fund Types	<u>564,564</u>	<u>3,027,315</u>
Total Fund Balances	<u>\$ 875,571</u>	<u>\$ 3,738,471</u>
Total Fund Balances		\$ 3,738,471
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:		
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.		723,065,370
Depreciation		(458,684,279)
Notes Receivable		394,593
Liabilities:		
Due Within One Year - Bonds, Notes, and Other Principal Payments		(756,928)
Due In More Than One Year - Bonds, Notes, and Other Principal Payments		<u>(2,070,614)</u>
Net Assets of Governmental Activities		<u>\$ 265,686,613</u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

PULASKI COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>Jail Fund</u>	<u>Fire Fund</u>
REVENUES				
Taxes	\$ 5,323,004	\$ 1,254,742	\$	\$ 1,697,450
In Lieu Tax Payments	227,754	2,289		
Excess Fees	665,801			
Licenses and Permits	141,927			
Intergovernmental	413,982	1,750,237	1,260,849	11,352
Charges for Services	186,652		31,905	
Miscellaneous	84,577	162,328	138,412	28,277
Interest	66,120	10,766	2,856	17,720
Total Revenues	<u>7,109,817</u>	<u>3,180,362</u>	<u>1,434,022</u>	<u>1,754,799</u>
EXPENDITURES				
General Government	2,202,704			
Protection to Persons and Property	845,341		1,417,555	489,938
General Health and Sanitation	256,188			
Social Services				
Recreation and Culture	228,263			
Roads		3,666,244		
Airports				
Debt Service	3,315,228	149,761		141,475
Capital Projects	4,530	87,810		978,697
Administration	2,565,486	1,521	345,252	97,899
Total Expenditures	<u>9,417,740</u>	<u>3,905,336</u>	<u>1,762,807</u>	<u>1,708,009</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(2,307,923)</u>	<u>(724,974)</u>	<u>(328,785)</u>	<u>46,790</u>
Other Financing Sources (Uses)				
Borrowed Money	3,006,400	548,500	160,000	
Transfers From Other Funds	1,100,000	400,000	586,976	
Transfers To Other Funds	(1,694,976)	(400,000)	(151,405)	(230,000)
Total Other Financing Sources (Uses)	<u>2,411,424</u>	<u>548,500</u>	<u>595,571</u>	<u>(230,000)</u>
Net Change in Fund Balances	103,501	(176,474)	266,786	(183,210)
Fund Balances - Beginning	98,730	306,935	94,741	748,985
Fund Balances - Ending	<u>\$ 202,231</u>	<u>\$ 130,461</u>	<u>\$ 361,527</u>	<u>\$ 565,775</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2003
(Continued)

	Industrial Development Fund	Non- Major Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 836,494	\$ 849,210	\$ 9,960,900
In Lieu Tax Payments			230,043
Excess Fees			665,801
Licenses and Permits			141,927
Intergovernmental		1,713,844	5,150,264
Charges for Services			218,557
Miscellaneous	475	248,919	662,988
Interest	13,223	20,570	131,255
Total Revenues	850,192	2,832,543	17,161,735
EXPENDITURES			
General Government	237,786	103,762	2,544,252
Protection to Persons and Property		796,282	3,549,116
General Health and Sanitation			256,188
Social Services		42,000	42,000
Recreation and Culture		77,027	305,290
Roads		116,843	3,783,087
Airports		23,000	23,000
Debt Service	88,635	263,384	3,958,483
Capital Projects	84,232	2,250,597	3,405,866
Administration	158,774	165,797	3,334,729
Total Expenditures	569,427	3,838,692	21,202,011
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	280,765	(1,006,149)	(4,040,276)
Other Financing Sources (Uses)			
Borrowed Money		428,920	4,143,820
Transfers From Other Funds	700,000	789,405	3,576,381
Transfers To Other Funds	(700,000)	(400,000)	(3,576,381)
Total Other Financing Sources (Uses)		818,325	4,143,820
Net Change in Fund Balances	280,765	(187,824)	103,544
Fund Balances - Beginning	1,322,141	1,063,395	3,634,927
Fund Balances - Ending	\$ 1,602,906	\$ 875,571	\$ 3,738,471

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

PULASKI COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	103,544
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		3,176,818
Depreciation Expense		(22,825,208)
Borrowed Money		(4,143,820)

KACO financing obligations and bond principal payments are expensed in the governmental funds as a use of current financial resources.

KARP Money Repaid		3,154,900
KACO Financing Obligations		380,320
Bond Payments		364,916
Payments received on notes receivable are receipted as current revenue.		<u>(26,896)</u>

Change in Net Assets of Governmental Activities		<u><u>\$ (19,815,426)</u></u>
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The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

PULASKI COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 63,397
Total Current Assets	<u>63,397</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	41,894
Less Accumulated depreciation	<u>(4,689)</u>
Total Noncurrent Assets	<u>37,205</u>
Total Assets	<u>100,602</u>
Net Assets	
Invested in Capital Assets,	
Net of Related Debt	37,205
Unrestricted	<u>63,397</u>
Total Net Assets	<u><u>\$ 100,602</u></u>

The accompanying notes are an integral part of the financial statements.

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PULASKI COUNTY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

PULASKI COUNTY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 229,479
Miscellaneous Receipts	673
Total Operating Revenues	<u>230,152</u>
Operating Expenses	
Cost of Sales	(140,487)
Educational and Recreational	(16,312)
Personnel Costs and Medical Co-payments	(19,917)
Depreciation	(4,689)
Miscellaneous Expenses	(1,210)
Total Operating Expenses	<u>(182,615)</u>
Operating Income (Loss)	<u>47,537</u>
Nonoperating Revenues (Expenses)	
Interest Income	2,670
Inmate Pay From State	11,902
Inmate Pay	(11,902)
Inmate Refunds	(55,784)
Gain on Sale of Fixed Asset	316
Total Nonoperating Revenues	
(Expenses)	<u>(52,798)</u>
Net Income (Loss) Before Transfers	
Change In Net Assets	<u>(5,261)</u>
Total Net Assets - Beginning	<u>105,863</u>
Total Net Assets - Ending	<u><u>\$ 100,602</u></u>

The accompanying notes are an integral part of the financial statements.

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**PULASKI COUNTY
STATEMENT OF CASH FLOWS-
PROPRIETARY FUND - MODIFIED CASH BASIS**

For The Year Ended June 30, 2003

PULASKI COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2003

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 229,479
Cost of Sales	(140,487)
Educational and Recreational	(16,312)
Personnel Costs	(19,917)
Miscellaneous Receipts	673
Miscellaneous Expenses	(1,210)
Net Cash Provided By	
Operating Activities	<u>52,226</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	11,902
Inmate Pay	(11,902)
Inmate Refunds on Accounts	(55,784)
Net Cash Used By Noncapital	
Financing Activities	<u>(55,784)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from Sale of Capital Assets	21,899
Purchase of Capital Assets	(41,894)
Net Cash (Used) By	
Capital and Related Financing	
Activities	<u>(19,995)</u>
Cash Flows From Investing Activities	
Interest Earned	<u>2,670</u>
Net Cash Provided By	
Investment Activities	<u>2,670</u>
Net (Decrease) in Cash and Cash	
Equivalents	(20,883)
Cash and Cash Equivalents - July 1	<u>84,280</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 63,397</u></u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
STATEMENT OF CASH FLOWS-
PROPRIETARY FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2003 (Continued)

**Reconciliation of Operating Income to
Net Cash Provided (Used) by Operating
Activities**

Operating Income (Loss)	\$ 47,537
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>4,689</u>
Total Cash Provided By Operating Activities	<u>\$ 52,226</u>

The accompanying notes are an integral part of the financial statements.

**PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expenses is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Pulaski County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes an organization that is legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or whose exclusion would cause the county's financial statements to be misleading or incomplete. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as that of the primary government.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government and the fiscal court is able to impose it will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

Pulaski County Public Properties Corporation

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. The Public Properties Corporation's financial information is reported in the Detention Center Corporation Bond Fund.

Additional - Pulaski County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

The Kentucky constitution provides for election of the above officials from the geographic area constituting Pulaski County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues and expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

All governmental fund statements are accounted for on the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, and other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Fire Fund - These funds may be spent for fire protection and to purchase buildings and fire equipment.

Industrial Development Fund - These funds are used to promote economic development in the county. The fiscal court obtained federal grants and used these grants to promote businesses.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

The government also has the following non-major funds: Local Government Economic Assistance Fund, Grant Fund, 911 Fund, Economic Development Fund, Sheriff Vehicle Fund, Capital Projects Fund, and Public Properties Detention Center Corporation Bond Fund.

Special Revenue Funds:

The Local Government Economic Assistance Fund, 911 Fund, Economic Development Fund Sheriff Vehicle Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Capital Project Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Public Properties Detention Center Corporation Bond Fund maintained by the Pulaski County Public Properties Corporation is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	50,000	10-75
Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	2-40
Infrastructure	25,000	10-50

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and KACO financing obligations is reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as an expenditure. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the statement of net assets and statement of activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Related Organization and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Pulaski County Fiscal Court: South Eastern Water District, Western Water District, Pulaski County Public Library Special District, Pulaski County Extension District Board, and the Pulaski County Solid Waste Board.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the Somerset-Pulaski Development Foundation, Inc. is a joint venture between the Pulaski County Fiscal Court and the city of Somerset.

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 3. Notes Receivable

A. In April 1993, Pulaski County loaned Somerset Food Services the proceeds from a Community Development Block Grant in the amount of \$317,532 plus an additional \$200,000. This loan was for a period of twenty (20) years at 3 percent interest, with 20 annual payments in the amount of \$21,307 for the first five years and \$38,061 for the remaining 15 years. As of June 30, 2003, Somerset Food Services was in substantial compliance with the terms of the loan agreement and the principal balance due was \$352,855.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 3. Notes Receivable (Continued)

B. On December 15, 1997, Pulaski County passed through Community Development Block Grant (CDBG) funds in the amount of \$99,900 to the Somerset-Pulaski County Development Foundation, Inc., which was loaned to Somerset Recycling. On June 15, 1998, an additional \$61,038 of CDBG funds was loaned to Somerset Recycling. The combined loan repayment schedule was for a period of 7 years at 5.641 percent interest, with monthly payments of \$2,403. As of June 30, 2003, Somerset Recycling was in substantial compliance with the terms of the loan agreement and the principal balance due was \$41,737.

Notes receivable, as of year-end for the government's non-major funds, in the aggregate, including the delinquent principal payments are as follows:

Company	Governmental Activities		
	Principal Amount Borrowed	Interest Rate	Principal Due As Of June 30, 2003
Somerset Food Services	\$ 517,532	3%	\$ 352,856
Somerset Recycling	160,938	5.641%	41,737
Totals	<u>\$ 678,470</u>		<u>\$ 394,593</u>

Note 4. Operating Leases

The fiscal court entered into various lease agreements for copiers, mailing scales, backhoes, and one vehicle to be used by various county departments. The total cost for these leases was \$53,787 for the fiscal year ended June 30, 2003. The future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Amount
2004	\$ 69,410
2005	45,731
2006	26,649
2007	584
Total Minimum Lease Payments	<u>\$ 142,374</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2003 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 680,000	\$ 8,000	\$	\$ 688,000
Construction In Progress		568,204		568,204
Total Capital Assets Not Being Depreciated	680,000	576,204		1,256,204
Capital Assets, Being Depreciated:				
Buildings	10,629,500	320,000		10,949,500
Other Equipment	1,305,132	186,707		1,491,839
Vehicles and Equipment	6,978,261	1,843,044		8,821,305
Infrastructure	700,295,659	250,863		700,546,522
Total Capital Assets Being Depreciated	719,208,552	2,600,614		721,809,166
Less Accumulated Depreciation For:				
Buildings	(4,935,311)	(361,117)		(5,296,428)
Other Equipment	(379,104)	(99,139)		(478,243)
Vehicles and Equipment	(2,057,987)	(407,459)		(2,465,446)
Infrastructure	(428,486,669)	(21,957,493)		(450,444,162)
Total Accumulated Depreciation	(435,859,071)	(22,825,208)		(458,684,279)
Total Capital Assets, Being Depreciated, Net	283,349,481	(20,224,594)		263,124,887
Government Activities Capital Assets, Net	<u>\$ 284,029,481</u>	<u>\$ (19,648,390)</u>	<u>\$ 0</u>	<u>\$ 264,381,091</u>
<u>Business-type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 21,899	\$ 41,894	\$ (21,899)	\$ 41,894
Less Accumulated Depreciation For:				
Vehicles and Equipment	(316)	(4,689)	316	(4,689)
Business-type Activities Capital Assets, Net	\$ 21,583	\$ 37,205	\$ (21,583)	\$ 37,205

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 221,552
Protection to Persons and Property	476,056
General Health and Sanitation	68,139
Recreation and Culture	11,386
Roads, Including Depreciation of General Infrastructure Assets	<u>22,048,075</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 22,825,208</u>

Business-type Activities

Jail Canteen	<u>\$ 4,689</u>
Total Depreciation Expense - Business Activities	<u>\$ 4,689</u>

Note 6. Long-term Debt

A. 1996 Revenue Bonds

On October 1, 1996, the Pulaski County Public Properties Corporation \$1,415,000 of Revenue Bonds for the purpose of defeasing the 1988 Bond Series Issue. The 1988 bonds were originally issued to finance and equip the Pulaski County Detention Center. The bonds require two semiannual interest payments be made on January 1 and July 1 of each year commencing January 1, 1997. One principal payment will be due on July 1 of each year, commencing January 1, 1997. Bonds will mature July 1, 2008. As of June 30, 2003 the principal amount outstanding was \$790,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2004	\$ 115,000	\$ 35,893
2005	125,000	30,012
2006	130,000	23,765
2007	135,000	17,272
2008	140,000	10,535
2009	<u>145,000</u>	<u>3,553</u>
Totals	<u>\$ 790,000</u>	<u>\$ 121,030</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Long-term Debt (Continued)

B. General Obligation Public Purpose Notes

The County issued \$935,000 of Kentucky General Obligation Public Purpose notes at 5.56% to pay a civil judgment. These notes were dated March 1, 2000, with the requirement that two semiannual interest payments be made on September 1 and March 1 of each year, commencing September 1, 2000. One principal payment is due on March 1 of each year. As of June 30, 2003, the principal amount outstanding was \$240,084. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2004	\$ 240,084	\$ 14,178

C. Road Equipment

On September 7, 1999, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of road equipment. The principal was \$330,000 at 4.0 percent interest for a period of 5 years, with interest and principal paid monthly. The principal outstanding as of June 30, 2003, was \$88,794. Future principal and interest requirements are:

<u>Road Equipment</u>		
Fiscal Year Ended June 30	Principal	Interest
2004	\$ 71,253	\$ 1,765
2005	17,541	90
Totals	\$ 88,794	\$ 1,855

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Long-term Debt (Continued)

D. Fire Project

On November 29, 2000, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of fire equipment, land, and the construction of a three bay fire station. The principal was \$1,100,000 at 4.25 percent interest for a period of 10 years with interest and principal paid monthly. The principal balance as of June 30, 2003 was \$861,310. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2004	\$ 100,091	\$ 34,672
2005	104,690	30,329
2006	109,499	25,787
2007	114,529	21,136
2008	119,791	16,067
2009	125,294	10,869
2010	131,050	5,433
2011	56,366	600
Totals	<u>\$ 861,310</u>	<u>\$ 144,893</u>

E. Dump Truck

On April 26, 2002, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of a 2002 International tandem dump truck. The principal was \$56,000 at 3.25 percent interest for a period of 3 years, with interest and principal paid monthly. The principal outstanding as of June 30, 2003, was \$36,404. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2004	\$ 18,740	\$ 627
2005	17,664	200
Totals	<u>\$ 36,404</u>	<u>\$ 827</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Long-term Debt (Continued)

F. Road Graders

On December 5, 2002, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of 4 Volvo Road Graders. The principal was \$400,000 at 4.0 percent interest for a period of 4 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2003, was \$325,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 75,000	\$ 8,049
2005	80,000	
2006	85,000	3,687
2007	<u>85,000</u>	<u>1,359</u>
Totals	<u>\$ 325,000</u>	<u>\$ 13,095</u>

G. Sheriff's Vehicles

On September 19, 2002, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the purchase of 20 police cruisers for the sheriff's department. The principal was \$428,920 at 2.43 percent interest for a period of 4 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2003, was \$325,950. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 105,760	\$ 6,858
2005	108,620	4,256
2006	<u>111,570</u>	<u>1,584</u>
Totals	<u>\$ 325,950</u>	<u>\$ 12,698</u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 6. Long-term Debt (Continued)

H. Jail Roof and Computer Equipment

On June 24, 2003, the Pulaski County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust Program for the repairs to the jail roof and the purchase of computer and telephone equipment. The principal was \$160,000 at 2.05 percent interest for a period of 5 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2003, was \$160,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2004	\$ 31,000	\$ 3,087
2005	31,000	2,379
2006	32,000	1,739
2007	33,000	1,075
2008	33,000	398
Totals	<u>\$ 160,000</u>	<u>\$ 8,678</u>

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 900,000	\$	\$ 110,000	\$ 790,000	\$ 115,000
General Obligation Public Purpose Notes	495,000		254,916	240,084	240,084
KACO Financing Obligations	<u>1,188,858</u>	<u>988,920</u>	<u>380,320</u>	<u>1,797,458</u>	<u>401,844</u>
Governmental Activities Long-term Liabilities	<u>\$ 2,583,858</u>	<u>\$ 988,920</u>	<u>\$ 745,236</u>	<u>\$ 2,827,542</u>	<u>\$ 756,928</u>

Note 7. Interest On Long-Term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$56,242 in interest on financing obligations and \$69,782 in interest on bonds and notes.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 8. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 9. Insurance

For the fiscal year ended June 30, 2003, Pulaski County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Changes in Accounting Principles

The county has elected to implement Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The beginning net asset balance for governmental activities was \$285,502,039 and the beginning fund balance was \$3,634,927 for an increase of \$281,867,112 that was due to capital assets previously omitted. The beginning net asset balance of the business-type activities was \$105,863 and the beginning cash and cash equivalent balance was \$84,280 for an increase of \$21,583 that was due to capital assets previously omitted.

Note 11. Estimated Infrastructure Historical Cost

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction.

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PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTAL INFORMATION

For The Year Ended June 30, 2003

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplemental Information
Modified Cash Basis

For The Year Ended June 30, 2003

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,774,078	\$ 5,192,138	\$ 5,323,004	\$ 130,866
In Lieu Tax Payments	218,000	218,000	227,754	9,754
Excess Fees	426,900	665,800	665,801	1
Licenses and Permits	121,500	142,100	141,927	(173)
Intergovernmental Revenue	481,168	576,658	413,982	(162,676)
Charges for Services	113,000	194,950	186,652	(8,298)
Miscellaneous	74,000	74,000	84,577	10,577
Interest	73,555	73,555	66,120	(7,435)
Total Revenues	6,282,201	7,137,201	7,109,817	(27,384)
EXPENDITURES				
General Government	2,171,431	2,432,541	2,202,704	229,837
Protection to Persons and Property	821,427	869,357	845,341	24,016
General Health and Sanitation	247,506	280,306	256,188	24,118
Recreation and Culture	324,737	355,357	228,263	127,094
Debt Service	3,299,477	3,315,250	3,315,228	22
Capital Projects	20,000	20,000	4,530	15,470
Administration	2,664,050	2,980,817	2,565,486	415,331
Total Expenditures	9,548,628	10,253,628	9,417,740	835,888
Excess (Deficiency) of Revenues Over Expenditures	(3,266,427)	(3,116,427)	(2,307,923)	808,504
OTHER FINANCING SOURCES (USES)				
Borrowed Money	3,006,400	3,006,400	3,006,400	
Transfers In From Other Funds	79,000	79,000	1,100,000	1,021,000
Transfers Out to Other Funds	(118,973)	(268,973)	(1,694,976)	(1,426,003)
Total Other Financing Sources and Uses	2,966,427	2,816,427	2,411,424	(405,003)
Net Changes in Fund Balances	(300,000)	(300,000)	103,501	403,501
Fund Balances - Beginning	300,000	300,000	98,730	(201,270)
Fund Balances - Ending	\$ 0	\$ 0	\$ 202,231	\$ 202,231

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplemental Information
Modified Cash Basis
For The Year Ended June 30, 2003 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,273,750	\$ 1,273,750	\$ 1,254,742	\$ (19,008)
In Lieu Tax Payments	15,000	15,000	2,289	(12,711)
Intergovernmental Revenue	1,484,600	1,780,600	1,750,237	(30,363)
Miscellaneous	45,000	145,000	162,328	17,328
Interest	36,265	36,265	10,766	(25,499)
Total Revenues	2,854,615	3,250,615	3,180,362	(70,253)
EXPENDITURES				
Roads	2,809,850	3,830,215	3,666,244	163,971
Debt Service	149,765	151,030	149,761	1,269
Capital Projects	100,000	100,000	87,810	12,190
Administration	7,500	28,770	1,521	27,249
Total Expenditures	3,067,115	4,110,015	3,905,336	204,679
Excess (Deficiency) of Revenues Over Expenditures	(212,500)	(859,400)	(724,974)	134,426
OTHER FINANCING SOURCES (USES)				
Borrowed Money	148,500	548,500	548,500	
Transfers In From Other Funds	4,000	4,000	400,000	396,000
Transfers Out to Other Funds			(400,000)	(400,000)
Total Other Financing Sources and Uses	152,500	552,500	548,500	(4,000)
Net Changes in Fund Balances	(60,000)	(306,900)	(176,474)	130,426
Fund Balances - Beginning	60,000	306,900	306,935	35
Fund Balances - Ending	\$ 0	\$ 0	\$ 130,461	\$ 130,461

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplemental Information
Modified Cash Basis
For The Year Ended June 30, 2003 (Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$	\$ 200,000	\$	\$ (200,000)
Intergovernmental Revenue	1,517,758	1,274,758	1,260,849	(13,909)
Charges for Services	24,800	24,800	31,905	7,105
Miscellaneous	158,000	158,000	138,412	(19,588)
Interest	3,600	3,600	2,856	(744)
Total Revenues	1,704,158	1,661,158	1,434,022	(227,136)
EXPENDITURES				
Protection to Persons and Property	1,379,896	1,472,946	1,417,555	55,391
Administration	337,330	351,280	345,252	6,028
Total Expenditures	1,717,226	1,824,226	1,762,807	61,419
Excess (Deficiency) of Revenues Over Expenditures	(13,068)	(163,068)	(328,785)	(165,717)
OTHER FINANCING SOURCES (USES)				
Borrowed Money			160,000	160,000
Transfers In From Other Funds	114,973	264,973	586,976	322,003
Transfers Out to Other Funds	(151,905)	(151,905)	(151,405)	500
Total Other Financing Sources and Uses	(36,932)	113,068	595,571	322,503
Net Changes in Fund Balances	(50,000)	(50,000)	266,786	156,786
Fund Balances - Beginning	50,000	50,000	94,741	44,741
Fund Balances - Ending	\$ 0	\$ 0	\$ 361,527	\$ 201,527

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplemental Information
Modified Cash Basis
For The Year Ended June 30, 2003 (Continued)

	FIRE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,400,000	\$ 1,695,000	\$ 1,697,450	\$ 2,450
Intergovernmental Revenue	11,000	11,000	11,352	352
Miscellaneous	1,000	1,000	28,277	27,277
Interest	21,000	21,000	17,720	(3,280)
Total Revenues	<u>1,433,000</u>	<u>1,728,000</u>	<u>1,754,799</u>	<u>26,799</u>
EXPENDITURES				
General Government				
Protection to Persons and Property	585,491	597,766	489,938	107,828
Debt Service	135,000	141,500	141,475	25
Capital Projects	816,000	1,193,305	978,697	214,608
Administration	246,509	529,429	97,899	431,530
Total Expenditures	<u>1,783,000</u>	<u>2,462,000</u>	<u>1,708,009</u>	<u>753,991</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(350,000)</u>	<u>(734,000)</u>	<u>46,790</u>	<u>780,790</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out to Other Funds			(230,000)	(230,000)
Total Other Financing Sources and Uses			<u>(230,000)</u>	<u>(230,000)</u>
Net Changes in Fund Balances	(350,000)	(734,000)	(183,210)	550,790
Fund Balances - Beginning	<u>350,000</u>	<u>734,000</u>	<u>748,985</u>	<u>14,985</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 565,775</u>	<u>\$ 565,775</u>

PULASKI COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplemental Information
Modified Cash Basis
For The Year Ended June 30, 2003 (Continued)

INDUSTRIAL DEVELOPMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 850,000	\$ 850,000	\$ 836,494	\$ (13,506)
Miscellaneous	500	500	475	(25)
Interest	10,000	10,000	13,223	3,223
Total Revenues	860,500	860,500	850,192	(10,308)
EXPENDITURES				
General Government	271,111	283,516	237,786	45,730
Debt Service	452,000	452,000	88,635	363,365
Capital Projects	600,000	600,000	84,232	515,768
Administration	537,389	524,984	158,774	366,210
Total Expenditures	1,860,500	1,860,500	569,427	1,291,073
Excess (Deficiency) of Revenues Over Expenditures	(1,000,000)	(1,000,000)	280,765	1,280,765
OTHER FINANCING SOURCES (USES)				
Transfers In From Other Funds			700,000	700,000
Transfers Out to Other Funds			(700,000)	(700,000)
Total Other Financing Sources and Uses				
Net Changes in Fund Balances	(1,000,000)	(1,000,000)	280,765	1,280,765
Fund Balances - Beginning	1,000,000	1,000,000	1,322,141	322,141
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,602,906	\$ 1,602,906

PULASKI COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2003

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Detention Center Corporation Bond Fund and the Jail Canteen Fund.

The State Local Finance Officer does not require the Public Properties Detention Center Corporation Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

PULASKI COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information

For The Year Ended June 30, 2003

PULASKI COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information

For The Year Ended June 30, 2003

	Special Revenue Funds				Capital Projects Fund
	LGEA Fund	911 Fund	Economic Development Fund	Sheriff Vehicle Fund	Grant Fund
ASSETS					
Cash	\$ 110,676	\$ 202,455	\$ 235,525	\$ 35,953	\$ 105,945
Total Assets	<u>\$ 110,676</u>	<u>\$ 202,455</u>	<u>\$ 235,525</u>	<u>\$ 35,953</u>	<u>\$ 105,945</u>
FUND BALANCES					
Fund Balances:					
Reserved for:					
Bond Payments					
Encumbrances		\$ 4,025	\$ 9,918	\$ 6,102	
Grant Expenditures					\$ 105,945
Unreserved:					
Special Revenue Fund Types	\$ 110,676	198,430	225,607	29,851	
Total Fund Balances	<u>\$ 110,676</u>	<u>\$ 202,455</u>	<u>\$ 235,525</u>	<u>\$ 35,953</u>	<u>\$ 105,945</u>

PULASKI COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information
For The Year Ended June 30, 2003
(Continued)

Debt Service Fund	
Detention Center Corporation Bond Fund	Total Governmental Funds
\$ 185,017	\$ 875,571
\$ 185,017	\$ 875,571
\$ 185,017	\$ 185,017
	20,045
	105,945
	564,564
\$ 185,017	\$ 875,571

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PULASKI COUNTY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information

For The Year Ended June 30, 2003

PULASKI COUNTY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information

For The Year Ended June 30, 2003

	Special Revenue Funds			
	LGEA Fund	911 Fund	Economic Development Fund	Sheriff Vehicle Fund
REVENUES				
Taxes	\$	\$ 849,210	\$	\$
Intergovernmental	316,726	76,891		8,875
Miscellaneous		9	26,896	222,014
Interest	2,157	2,780	13,501	
Total Revenues	318,883	928,890	40,397	230,889
EXPENDITURES				
General Government				103,762
Protection to Persons and Property	25,000	771,282		
Social Services	42,000			
Recreation and Culture	77,027			
Roads	116,843			
Airports	23,000			
Debt Service				111,979
Capital Projects			213,728	430,233
Administration	4,500	158,599	165	2,533
Total Expenditures	288,370	929,881	213,893	648,507
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	30,513	(991)	(173,496)	(417,618)
Other Financing Sources (Uses)				
Borrowed Money				428,920
Transfers In From Other Funds		80,000	300,000	28,000
Transfers Out to Other Funds		(80,000)	(300,000)	(20,000)
Total Other Financing Sources (Uses)				436,920
Net Change in Fund Balances	30,513	(991)	(173,496)	19,302
Fund Balances - Beginning	80,163	203,446	409,021	16,651
Fund Balances - Ending	\$ 110,676	\$ 202,455	\$ 235,525	\$ 35,953

PULASKI COUNTY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information
For The Year Ended June 30, 2003
(Continued)

Capital Projects Fund	Debt Service Fund	
Grant Fund	Detention Center Corporation Bond Fund	Total Governmental Funds
\$	\$	\$
1,311,352		849,210
		1,713,844
		248,919
	2,132	20,570
1,311,352	2,132	2,832,543
		103,762
		796,282
		42,000
		77,027
		116,843
		23,000
	151,405	263,384
1,606,636		2,250,597
		165,797
1,606,636	151,405	3,838,692
(295,284)	(149,273)	(1,006,149)
		428,920
230,000	151,405	789,405
		(400,000)
230,000	151,405	818,325
(65,284)	2,132	(187,824)
171,229	182,885	1,063,395
\$ 105,945	\$ 185,017	\$ 875,571

PULASKI COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Other Supplemental Information

Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Pulaski County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Pulaski County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Pulaski County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Pulaski County reported in Part C of this schedule.
7. The programs tested as major programs were: Community Development Block Grant - Valley Oak Industrial Park Infrastructure Project and Small Business Administration - Hal Rogers Fire Center Project
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Pulaski County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Reference Number 2003-1

The Former Jailer Was Overpaid

The former Jailer, Darrell Presley, received \$2,035 over his statutory maximum salary for 2002. The reason for this overpayment was an attempt to make up for four (4) days of underpayment from 1993; however, the payment was made at the 2002 rate instead of the 1993 rate and caused the jailer's salary for 2002 to exceed the statutory maximum. We recommend that the county seek to recoup this overpayment from the former Jailer.

County Judge/Executive Darrell BeShears' Response:

He has already been notified and we will address this with the Former Jailer.

Former Jailer Darrell Presley's Response:

It was their mistake and they should have paid me in 1993. I do not think that I owe for something that occurred in 1993. I am willing to drop it if they are willing to drop it.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplemental Information

PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplemental Information

Fiscal Year Ended June 30, 2003

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department Of Housing And Urban Development</u>		
Passed-Through State Department For Local Government: Community Development Block Grants -		
Valley Oak Industrial Park Infrastructure Project (CFDA # 14.228)	00-018	\$ 665,467
Southeastern Water Expansion Project (CFDA # 14.228)	99-030	15,593
Total U.S. Department Of Housing And Urban Development		<u>681,060</u>
<u>U.S. Small Business Administration</u>		
Direct Program: Hal Rogers Fire Training Center Project (CFDA # 59.000)	SBAHQ-01-I-0051	\$ 439,080
Total U.S. Small Business Administration		<u>439,080</u>
<u>U.S. Department Of Transportation</u>		
Passed-Through State Department For Local Government: Public Park		
Recreation Trails Program (CFDA # 20.219)	P 90-99	\$ 20,847
Rails To Trails (CFDA # 20.219)	N/A	18,990

PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2003
Other Supplemental Information
(Continued)

<u>Program Title</u> <u>Grant Name (CFDA #)</u>	<u>Pass-Through</u> <u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department Of Transportation</u>		
Passed-Through State Transportation Cabinet: Intermodal Surface Transportation Efficiency Act Transportation Enhancement Contract- Mill Springs Battlefield (CFDA # 20.205)	C-01068142	\$ 41,720
Total U.S. Department Of Transportation		<u>81,557</u>
<u>U.S. Department Of The Treasury</u>		
Direct Program: Bureau Of Alcohol, Tobacco, And Firearms - Gang Resistance Education And Training Program (CFDA # 21.053)	ACT020182	\$ 17,022
Total U.S. Department Of The Treasury		<u>17,022</u>
<u>U.S. Federal Emergency Management Agency</u>		
Passed Through State Department Of Military Affairs - Disaster And Emergency And Assistance Grant- Coordinator Salary (CFDA # 83.503)	N/A	\$ 11,351
Total U.S. Federal Emergency Management Agency		<u>11,351</u>

PULASKI COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplemental Information
Fiscal Year Ended June 30, 2003
(Continued)

<u>Program Title</u> <u>Grant Name (CFDA #)</u>	<u>Pass-Through</u> <u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department Of The Interior</u>		
Passed-Through State Department For Local Government: Outdoor Recreational Acquisition Development And Planning- Shopville Community Park LW CF Project (CFDA # 15.252)	21-01222	\$ 16,494
Total U.S. Department Of The Interior		<u>16,494</u>
<u>U.S. Department of Justice</u>		
Direct Program: Local Law Enforcement Block Grant- Sheriff Equipment (CFDA # 16.592)	N/A	\$ 11,500
Total U.S. Department Of The Interior		<u>11,500</u>
Total Cash Expenditures of Federal Awards		<u>\$ 1,258,064</u>

PULASKI COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplemental Information

Fiscal Year Ended June 30, 2003

- Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pulaski County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- Note 2 - As required by the Community Development Block Grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Darrell BeShears, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County, Kentucky, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pulaski County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinions on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the schedule of findings and questioned costs.

Reference Number 2003-1

The Former Jailer Was Overpaid

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pulaski County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 10, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Darrell BeShears, Pulaski County Judge/Executive
Members of the Pulaski County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Pulaski County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Pulaski County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pulaski County's management. Our responsibility is to express an opinion on Pulaski County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pulaski County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Pulaski County's compliance with those requirements.

In our opinion, Pulaski County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Pulaski County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pulaski County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 10, 2004

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND
DEVELOPMENT PROGRAMS

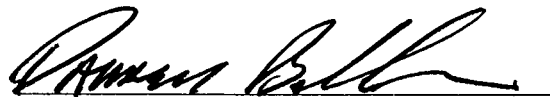
PULASKI COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

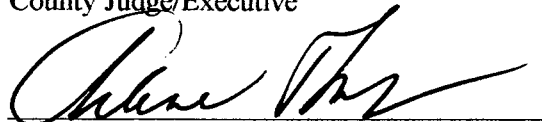
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
PULASKI COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2003

The Pulaski County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Darrell Beshears
County Judge/Executive



Arlene Phelps
County Treasurer

